

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA**

FINANCIAL STATEMENTS

DECEMBER 31, 2008, AND 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/22/09

David Q. Richardson
Certified Public Accountant
P.O. Box 891
Tallulah, Louisiana 71284-0891
(318) 574-0514

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
DECEMBER 31, 2008

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1-2
Required Supplemental Information		
Management's Discussion and Analysis		4-7
Basic Financial Statements		
Balance Sheets	A	9
Statements of Revenues, Expenses, and Changes in Net Assets	B	10
Statements of Cash Flows	C	11
Notes to Financial Statements		12-19
Supplementary Information		
	<u>Schedule</u>	
Schedule of Net Patient Services Revenues	1	21
Schedule of Other Revenues	2	22
Schedule of Expenses - Salaries and Benefits	3	23
Schedule of Expenses - Professional Fees	4	24
Schedule of Expenses - Other Expenses	5	25
Schedule of Compensation Paid to Board Commissioners	6	26
Other Reports Required by Governmental Auditing Standards		
Summary Schedule of Findings and Questioned Costs		28
Summary Schedule of Prior Year Findings		29
Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> .		30-31

DAVID Q. RICHARDSON

Certified Public Accountant

Post Office Box 891

Tallulah, Louisiana 71284

cpa2912@bellsouth.net

(318) 574-0514

(318) 574-0176

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Madison Parish Hospital Service District
Tallulah, Louisiana

I have audited the accompanying basic financial statements of Madison Parish Hospital Service District, Tallulah, Louisiana, (the District) a component unit of Madison Parish Police Jury as of and for the years ended December 31, 2008, and 2007, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the Madison Parish Hospital Service District, Tallulah, Louisiana as of December 31, 2008, and 2007, and the results of its operations, change in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 9, 2009 on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Independent Auditor's Report
Page Two

Management's discussion and analysis on pages 4 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

Tallulah, Louisiana
June 9, 2009



REQUIRED SUPPLEMENTAL INFORMATION

Management's Discussion and Analysis

December 31, 2008

This section of the District's annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year that ended on December 31, 2008. Please read it in conjunction with the financial statements in this report.

Financial Highlights

The District had a decrease in net assets of \$713,591.

The District's total assets decreased by approximately \$402,360.

The District's total liabilities increased by approximately \$311,231.

The net patient services revenue (net of bad debts) increased approximately \$2,397,559, from the prior year's net patient services revenue of \$12,034,580.

Required Financial Statements

The basic financial statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Balance Sheets include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Assets. This statement measures improvements in the District's operations over the past year and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

The Balance Sheets and the Statements of Revenues, Expenses, and Changes in Net Assets report about the District's activities. These two statements report the net assets of the District and changes in them. Increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008**

Net Assets

A summary of the District's Balance Sheets are presented in Table 1 below:

**Table 1
Condensed Balance Sheets**

	<u>2008</u>	<u>2007</u>	<u>\$ Change</u>	<u>% Change</u>
Total current assets	\$ 3,730,749	\$ 5,055,102	\$(1,324,353)	-26.20%
Capital assets - net	<u>2,841,581</u>	<u>1,919,588</u>	<u>921,993</u>	<u>48.03%</u>
Total assets	<u>\$ 6,572,330</u>	<u>\$ 6,974,690</u>	<u>\$ (402,360)</u>	<u>-6.73%</u>
Current liabilities	2,295,815	1,918,364	377,451	17.59%
Long-term debt	803,691	585,830	217,861	37.19%
Deferred revenue	<u>1,359,153</u>	<u>1,643,234</u>	<u>(284,081)</u>	<u>-17.29%</u>
Total liabilities	<u>4,458,659</u>	<u>4,147,428</u>	<u>311,231</u>	<u>7.50%</u>
Invested in capital assets net of related debt	1,821,403	1,621,556	199,847	12.32%
Unrestricted net assets	<u>292,268</u>	<u>1,205,706</u>	<u>(913,438)</u>	<u>-75.76%</u>
Total net assets	<u>2,113,671</u>	<u>2,827,262</u>	<u>(713,591)</u>	<u>-25.24%</u>
Total liabilities and net assets	<u>\$ 6,572,330</u>	<u>\$ 6,974,690</u>	<u>\$ (402,360)</u>	<u>-5.77%</u>

As can be seen in Table 1, total assets decreased by \$402,360 in 2008, down from \$6,974,690 in 2007, to \$6,572,330 in 2008. Total liabilities increased \$311,231. The related change in net assets was a decrease of \$713,591. The change in total net assets resulted from a net loss for the current year.

Summary of Revenue, Expenses and Changes in Net Assets

The following table presents a summary of the District's historical revenues and expenses for each of the years ended December 31, 2008, and 2007.

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008

Table 2
Condensed Statements of Revenue, Expenses, and
Changes in Net Assets

	2008	2007	\$ Change	% Change
Revenue:				
Net patient service revenue	\$14,303,098	\$11,928,368	\$2,374,730	19.91%
Operating expenses				
Bad debts	1,785,616	1,713,239	72,377	4.22%
Depreciation	316,704	236,394	80,310	33.97%
All other expenses	14,681,533	12,205,015	2,476,518	20.29%
Total operating expenses	16,783,853	14,154,648	2,629,205	18.57%
Operating income (loss)	(2,480,755)	(2,226,280)	(254,475)	-11.43%
Non-operating income (expense)				
Interest expense	(64,954)	(46,384)	(18,570)	-40.04%
Interest income	52,663	93,873	(41,210)	-43.90%
Ad valorem taxes	900,224	631,377	268,847	42.58%
Sales tax	705,523	767,386	(61,863)	8.06%
Other	173,708	127,434	46,274	36.31%
Total non-operating income (expense)	1,767,164	1,573,686	193,478	12.29%
Excess of Revenues (Expenses)	(713,591)	(652,594)	(60,997)	-9.35%
Net Assets - Beginning of year	2,827,262	3,479,856	(652,594)	-18.75%
Net Assets - End of year	\$ 2,113,671	\$ 2,827,262	\$ (713,591)	-25.24%

Sources of Revenue

Operating Revenue

During the year 2008, the District derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payers, who receive care in the District's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes cafeteria sales, grant revenue, vending machines, and rental income.

Non-operating Revenue

The non-operating revenue consists primarily of ad valorem taxes, sales taxes, State Revenue sharing, Madison Parish Police Jury appropriations, and interest income.

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008

Capital Assets

During the year 2008, the District invested approximately \$1,238,697 in capital assets included in Table 3 below.

**Table 3
Capital Assets**

	2008	2007	\$ Change	% Change
Land	\$ 152,094	\$ 86,000	\$ 66,094	76.85%
Buildings and improvements	3,916,781	3,514,075	402,706	11.46%
Equipment	3,843,037	3,073,140	769,897	25.05%
Total	7,911,912	6,673,215	1,238,697	18.56%
Less: accumulated depreciation	(5,070,331)	(4,753,627)	(316,704)	-6.66%
Net property, plant, and equipment	<u>\$2,841,581</u>	<u>\$1,919,588</u>	<u>\$ 921,993</u>	<u>48.03%</u>

Long-term Debt

At year end, the District had six long-term debts. The details of these debts are as follows.

- 1) Equipment note with a principal balance of \$108,019 at December 31, 2008, payable in monthly installments of \$5,058, secured by equipment.
- 2) Equipment note with a principal balance of \$101,271 at December 31, 2008, payable in monthly installments of \$2,557, secured by equipment.
- 3) Bonds payable of \$369,000, payable over ten years with interest at 5.16%.
- 4) A capital lease with a principal balance of \$346,264 at December 31, 2008, payable in monthly installments of \$6,925, secured by equipment.
- 5) A capital lease with a principal balance of \$55,534 at December 31, 2008, payable in monthly installments of \$1,111, secured by equipment.
- 6) A capital lease with a principal balance of \$40,090 at December 31, 2008, payable in monthly installments of \$793, secured by equipment.

Contacting the District's Financial Manager

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Madison Parish Hospital Service District, Tallulah, Louisiana.

BASIC FINANCIAL STATEMENTS

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
BALANCE SHEETS
AS OF DECEMBER 31, 2008, AND 2007

Assets	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash and cash equivalents	\$ 1,553,435	\$ 3,275,453
Accounts receivable - net of allowance for bad debts and contractual adjustments	1,478,967	1,148,897
Estimated third-party payer settlements	176,032	134,984
Inventory	364,453	272,570
Prepaid expenses	157,862	223,198
Total Current Assets	<u>3,730,749</u>	<u>5,055,102</u>
Non Current Assets:		
Property, plant, and equipment, net of depreciation	<u>2,841,581</u>	<u>1,919,588</u>
Total Assets	<u>\$ 6,572,330</u>	<u>\$ 6,974,690</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 1,778,827	\$ 1,231,342
Accrued expenses and withholding payable	300,501	235,885
Estimated third - party settlements	-	338,935
Current maturities of long-term debt	216,487	112,202
Deferred revenue	1,359,153	1,643,234
Total Current Liabilities	<u>3,654,968</u>	<u>3,561,598</u>
Long-term debt, net of current maturities	<u>803,691</u>	<u>585,830</u>
Total Liabilities	<u>4,458,659</u>	<u>4,147,428</u>
Net Assets:		
Invested in capital assets, net of related debt	1,821,403	1,621,556
Unrestricted net assets	292,268	1,205,706
Total Net Assets	<u>2,113,671</u>	<u>2,827,262</u>
Total Liabilities and Net Assets	<u>\$ 6,572,330</u>	<u>\$ 6,974,690</u>

The accompanying notes are an integral part of this financial statement.

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008, AND 2007

	2008	2007
Revenue		
Net patient service revenue	\$ 14,303,098	\$ 11,928,368
Other revenue	129,041	106,212
Total Revenue	<u>14,432,139</u>	<u>12,034,580</u>
Expenses		
Salaries and benefits	9,078,275	7,236,215
Medical supplies and drugs	873,363	888,316
Professional fees	1,596,834	1,393,954
Operating supplies	417,190	380,720
Equipment rent	80,620	101,653
Insurance	300,636	184,165
Repairs	777,056	307,435
Depreciation	316,704	236,394
Provision for bad debt	1,785,616	1,713,239
Other expenses	1,557,559	1,712,557
Total Expenses	<u>16,783,853</u>	<u>14,154,648</u>
Operating Income (Loss)	<u>(2,351,714)</u>	<u>(2,120,068)</u>
Non-operating Revenue and Expense		
Interest income	52,663	93,873
Interest expense	(64,954)	(46,384)
Ad valorem tax revenue	900,224	631,377
Sales tax revenue	705,523	767,386
State revenue sharing	23,201	20,130
Other	21,466	1,092
Total Non-operating Revenue and Expense	<u>1,638,123</u>	<u>1,467,474</u>
Excess (Deficiency) of Revenues over Expenses	(713,591)	(652,594)
Net Assets - Beginning of year	<u>2,827,262</u>	<u>3,479,856</u>
Net Assets - End of year	<u><u>\$ 2,113,671</u></u>	<u><u>\$ 2,827,262</u></u>

The accompanying notes are an integral part of this financial statement.

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008, AND 2007

	2008	2007
Cash flows from operating activities:		
Cash received from patients and third party payers	\$ 11,824,333	\$ 11,561,396
Other receipts from operations	129,041	106,212
Cash payouts to employees and for employee related cost	(9,013,659)	(7,174,501)
Cash payments for other operating expenses	(5,082,320)	(4,651,199)
Net cash provided (used) by operating activities	<u>(2,142,605)</u>	<u>(158,092)</u>
Cash flows from investing activities and non-operating revenue:		
Other income	21,466	1,092
Interest income	52,663	93,873
Ad valorem and sales tax	1,327,963	1,376,407
Net cash provided by investing and non-operating activities	<u>1,402,092</u>	<u>1,471,372</u>
Cash flows from capital and related financing activities:		
Loan proceeds	-	553,420
Interest expense	(64,954)	(46,384)
Principle payments on long-term debt	(208,749)	(60,805)
Acquisition of property, plant, and equipment	(707,802)	(311,292)
Net cash provided (used) by capital and related financing activities	<u>(981,505)</u>	<u>134,939</u>
Net increase (Decrease) in cash and cash equivalents	(1,722,018)	1,448,219
Beginning cash and cash equivalents	3,275,453	1,827,234
Ending cash and cash equivalents	<u>\$ 1,553,435</u>	<u>\$ 3,275,453</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	<u>\$ 64,954</u>	<u>\$ 46,384</u>
Equipment purchased during the year by execution of capital lease	<u>\$ 530,895</u>	<u>NONE</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income (loss)	\$ (2,351,714)	\$ (2,120,068)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	316,704	236,394
Decrease (Increase) in patient accounts receivable	(60,495)	247,710
Decrease (Increase) in cost reports receivable	(41,048)	276,943
Decrease (Increase) in inventory	(91,883)	(85,655)
Decrease (Increase) in prepaid assets	65,336	(112,679)
Increase (Decrease) in accounts payable and accrued expense	612,101	577,649
Increase (Decrease) in deferred income	(252,671)	482,679
Increase (Decrease) in cost report payable	(338,935)	338,935
Net cash provided (used) by operating activities	<u>\$ (2,142,605)</u>	<u>\$ (158,092)</u>

The accompanying notes are an integral part of this financial statement.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008, AND 2007**

NOTE 1 - ORGANIZATION AND OPERATION

The Madison Parish Hospital Service District, Tallulah, Louisiana (the District) was created by the Police Jury of Madison Parish, Louisiana of which it is a component unit. It was created under the provisions of Subsection d-2 of Section 14 Article XIV. The District provides hospital facilities for the public primarily located in Madison Parish, Louisiana.

The District is a political subdivision of the Madison Parish Police Jury whose jurors are elected officials. Its directors are appointed by the Madison Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Madison Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Madison Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, emergency, and inpatient hospital services

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The District utilizes the proprietary fund method of accounting, whereby revenues and expenses are recognized on the accrual basis. Under the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America for proprietary fund types, substantially all revenues and expenses are subject to accrual.

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008, AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:514, and to the guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants.

Cash

Cash includes amounts in demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits with original maturities of 90 days or less. These deposits are stated at cost, which approximates market. Under state law, the District may deposit funds in demand deposits, interest bearing deposits, money market accounts, or time deposits with state banks organized under Louisiana law or of any state of the United States, or under the laws of the United States.

Receivables

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third party agreements. Receivables are stated at the full value of charges incurred by the patient. An allowance has been provided for the estimated uncollectible accounts and for third-party contractual adjustments at year-end. Receivables are written off as the accounts are determined to be uncollectible. The District does not charge interest on past due accounts.

Uncollectible amounts are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectability of the particular receivable.

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008, AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Inventory

Inventories represent medical and dietary supplies to be used in the future and are valued at the latest invoice price, which approximates the lower of cost (first-in, first-out method) or market.

Prepaid Items

Prepaid expenses are amortized on a straight-line basis over the period of the respective items. The prepaid items consist mainly of insurance premiums.

Property, Plant and Equipment

Fixed assets of the District are recorded at cost and included on the balance sheet. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Fixed assets reported on the balance sheet are net of accumulated depreciation. Depreciation is computed using the straight-line method over their estimated useful lives. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

The following estimated useful lives are generally used.

Buildings	25 to 40 years
Machinery and Equipment	5 to 20 years
Furniture & Fixtures	5 to 15 years

Patient Services

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payers. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or are no longer subject to such audits, reviews, and investigations, and as final settlements are determined.

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008, AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

The District participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The District is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual costs reports by the District and audits thereof by the Medicare/Medicaid fiscal intermediary. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future.

The District also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements is prospectively determined as rates per discharge, discounts from established charges, and prospectively determined daily rates.

In 2008, approximately 82% of the Hospital's patient revenues were generated by services furnished to Medicare and Medicaid program beneficiaries.

Compensated Absences

Employees of the District are entitled to paid vacation and sick days depending on length of service and other factors. Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees for services already rendered and is probable that the District will compensate the employees for the benefits. No liability is recorded for non-vesting accumulated pay benefits.

Estimates

The preparation of the financial statements in conformity with U. S. Generally Accepted Accounting Principles requires management to make assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illness; natural disasters; medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters.

The District is a member of the Louisiana Patient's Compensation Fund for the purpose of malpractice insurance. All participating hospitals share proportionately in the expense of the fund.

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008, AND 2007

NOTE 3 - CASH

Under state law, cash deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agency bank. The market value of the pledged securities plus the federal deposit insurance must at all times, equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2008, the District has \$1,726,608 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposits insurance and \$1,626,608 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent bank has failed to pay deposited funds upon demand.

NOTE 4 - RECEIVABLES

The receivables of the District are as follows:

	<u>2008</u>	<u>2007</u>
Taxes:		
Ad valorem	\$ 869,088	\$ 591,869
Sales	36,089	46,136
Other governments	17,997	15,594
Patient receivables	4,867,498	4,303,405
Allowance and contractals	<u>(4,311,705)</u>	<u>(3,808,107)</u>
Total	<u>\$ 1,478,967</u>	<u>\$ 1,148,897</u>

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008, AND 2007

NOTE 5 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	January 1, 2008	Additions	Retirements	December 31, 2008
Land	\$ 86,000	\$ 66,094	\$ -	\$ 152,094
Buildings and improvements	3,514,075	402,706	-	3,916,781
Furniture and equipment	3,073,140	769,897	-	3,843,037
Total	6,673,215	1,238,697	-	7,911,912
Accumulated depreciation	(4,753,627)	(316,704)	-	(5,070,331)
Net property, plant, and equipment	<u>\$ 1,919,588</u>	<u>\$ 921,993</u>	<u>\$ -</u>	<u>\$ 2,841,581</u>

NOTE 6 - LONG-TERM DEBT

Long-term debt consists of the following:

	2008	2007
A capital lease, bearing 7.5% interest, collateralized by equipment, payable in monthly installments of \$5,058, for 60 months.	\$ 108,019	\$ 158,537
A capital lease, bearing 7.5% interest, collateralized by equipment, payable in monthly installments of \$2,557, for 60 months.	101,271	139,495
Bonds Payable - \$400,000 of bonds payable over 10 years with interest at 5.16% per annum, secured by pledge of annual excess revenue.	369,000	400,000
A capital lease collateralized by equipment, payable in monthly installments of \$6,925 for 60 months.	346,264	-
A capital lease collateralized by equipment, payable in monthly installments of \$1,111 for 60 months.	55,534	-
A capital lease collateralized by equipment, payable in monthly installments of \$794 for 60 months.	40,090	-
Total long - term debt	1,020,178	698,032
Less current maturities	216,487	112,202
Net long - term debt	<u>\$ 803,691</u>	<u>\$ 585,830</u>

As of December 31, 2008, annual maturities of long-term debt for the next years as follows:

2009	\$ 216,487
2010	219,356
2011	169,639
2012	170,637
2013	59,059
2014-18	185,000
Total	<u>\$ 1,020,178</u>

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008, AND 2007

NOTE 8 - LEASES

Operating Lease

During 2005, the District entered into a lease with a medical doctor for utilization of an office building the District owns. This operating lease is for a term of five years, terminating in July 2010.

NOTE 9 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principle contingencies are described below:

Governmental Third-Party Reimbursement Programs - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, privacy, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008, AND 2007**

NOTE 9 - CONTINGENCIES (cont.)

Professional Liability Risk - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in these cases.

NOTE 10 - CLINIC

During 2008, the District entered into a two year contract with a doctor to operate a rural health clinic for the Hospital.

SUPPLEMENTARY INFORMATION

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
SCHEDULE OF NET PATIENT SERVICE REVENUES
FOR THE YEARS ENDED DECEMBER 31, 2008, AND 2007

	2008			2007
	In-Patient	Out Patient	Total	
Gross Revenue				
Nursing Service	\$ 859,628	\$ -	\$ 859,628	\$ 899,525
Geropsychiatric Unit	2,467,150	-	2,467,150	2,443,004
Pharmacy	1,503,631	422,366	1,925,997	1,891,033
Radiology	393,270	925,766	1,319,036	1,079,649
Laboratory	1,053,014	1,174,836	2,227,850	2,258,618
Medical Supplies	81,837	50,509	132,346	136,741
EKG	260,630	147,692	408,322	386,789
EKG - Physicians Fees	67,950	38,855	106,805	99,470
IV Therapy	796,152	214,494	1,010,646	848,447
Nuclear Medicine	74,695	144,878	219,573	116,762
EEG	12,040	1,915	13,955	10,150
Inhalation Therapy	1,428,388	111,915	1,540,303	1,473,049
Inhalation Therapy - Physician Fees	540	1,795	2,335	1,970
Ultrasound	57,691	89,010	146,701	65,166
Emergency Room	304,136	1,653,770	1,957,906	931,007
Emergency Room Physician Fees	128,239	699,137	827,376	731,805
Rural Health Clinic	-	162,924	162,924	-
Medical Clinic	-	85,505	85,505	46,041
Patient Service Revenue	<u>\$9,488,991</u>	<u>\$5,925,367</u>	15,414,358	13,419,226
Uncompensated Care Reimbursement			<u>3,049,778</u>	<u>2,815,258</u>
Total			<u>18,464,136</u>	<u>16,234,484</u>
Deduction from Revenue:				
Medicare and Medicaid Contractual Adjustment			3,297,815	3,431,600
Other			863,223	874,516
Total			<u>4,161,038</u>	<u>4,306,116</u>
Net Patient Revenue			<u>\$ 14,303,098</u>	<u>\$ 11,928,368</u>

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
SCHEDULE OF OTHER REVENUES
FOR THE YEARS ENDED DECEMBER 31, 2008, AND 2007

	<u>2008</u>	<u>2007</u>
Vending machines	\$ 796	\$ 1,006
Employee and guest meals	35,144	28,650
Medical record transcript fees	435	1,953
Room rent - Cat scan	3,200	4,800
Grants	89,466	68,303
Rent - Dialysis Center	<u>-</u>	<u>1,500</u>
Total Other Operating Revenues	<u><u>\$ 129,041</u></u>	<u><u>\$ 106,212</u></u>

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
SCHEDULE OF SALARIES & BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2008, AND 2007

	2008	2007
Administrative	\$ 173,389	\$ 154,226
Data processing	86,270	82,770
Outpatient services	186,985	171,870
Business office	221,529	195,080
Dietary	113,520	118,730
Housekeeping	95,939	89,779
Maintenance	179,828	124,708
Nursing	1,689,901	1,303,867
Emergency room	478,459	478,516
Pharmacy	177,515	168,486
Medical records	169,040	143,736
Gero unit	385,699	292,877
Radiology	236,055	203,171
Laboratory	543,929	474,115
EKG	329,300	322,923
Inhalation therapy	148,366	129,403
Nuclear medicine	104,872	81,007
Ultrasound	81,550	69,372
Purchasing	53,831	51,797
Security	40,607	40,076
Medical Clinic	332,154	280,600
Rural Health Clinic	288,738	-
Employee benefits	2,960,799	2,259,106
Total	<u>9,078,275</u>	<u>\$ 7,236,215</u>

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
SCHEDULE OF PROFESSIONAL FEES
FOR THE YEARS ENDED DECEMBER 31, 2008, AND 2007

	<u>2008</u>	<u>2007</u>
Nursing	\$ 36,950	\$ 55,303
Emergency room	1,006,594	866,068
Pharmacy	78,000	78,000
Radiology	386,258	305,225
Laboratory	22,000	18,950
EKG	59,590	64,468
Inhalation therapy	1,120	945
EEG	6,322	4,995
	<u>\$ 1,596,834</u>	<u>\$ 1,393,954</u>
Total		

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
SCHEDULE OF OTHER EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2008, AND 2007

	2008	2007
Contract services	\$ 628,911	\$ 951,890
Collection fees	12,960	10,133
Director fees	6,450	6,975
Legal and accounting	29,583	38,409
Clerical assistance	12,140	12,000
Utilities	162,367	150,757
Telephone	60,917	50,774
Travel	39,243	24,116
Education and training	75,347	49,171
Advertising	57,951	49,534
Dues and subscriptions	88,954	106,825
Waste disposal	70,345	50,965
Medical Clinic	98,282	96,308
Nursing scholarship	34,000	17,000
Rural Health Clinic	102,625	-
Other	77,484	97,700
Total	<u>\$ 1,557,559</u>	<u>\$ 1,712,557</u>

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
SCHEDULES OF COMPENSATION PAID TO BOARD COMMISSIONERS
FOR THE YEARS ENDED DECEMBER 31, 2008, AND 2007

2008

<u>Commissioners</u>	<u>Number of Meetings Attended</u>	<u>Annual Compensation</u>
Johnny Ford	7	\$ 525
Hayward Fair	18	1,350
Myrtle Wyche	18	1,350
John H. Wilkins	18	1,350
Charles E. Weeks	18	1,350
Eugene T. Milton, Jr.	7	525
Total		<u>\$ 6,450</u>

2007

<u>Commissioners</u>	<u>Number of Meetings Attended</u>	<u>Annual Compensation</u>
Hayward Fair	20	\$ 1,500
Myrtle Wyche	20	1,500
John H. Wilkins	20	1,500
Charles E. Weeks	18	1,350
Eugene T. Milton, Jr.	15	1,125
Total		<u>\$ 6,975</u>

OTHER REPORTS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2008**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Madison Parish Hospital Service District.
2. There were no reportable conditions noted during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Madison Parish Hospital Service District were disclosed during the audit.
4. No federal awards in year under audit.
5. No management letter was issued.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

No findings.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

<i>Ref. No.</i>	<i>Fiscal Year Finding Initially Occurred</i>	<i>Description of Finding</i>	<i>Corrective Action Taken</i>	<i>Planned Corrective Action/Partial Corrective Action Taken</i>
-----------------	---	-------------------------------	------------------------------------	--

Section I - Internal Control and Compliance Material to the Financial Statements:

None

Section II - Internal Control and Compliance Material to Federal Awards:

None

DAVID Q. RICHARDSON

Certified Public Accountant
Post Office Box 891
Tallulah, Louisiana 71284
cpa2912@bellsouth.net
(318) 574-0514
(318) 574-0176

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Madison Parish Hospital Service District
Tallulah, Louisiana

I have audited the financial statements of Madison Parish Hospital Service District, Tallulah, Louisiana, a component of Madison Parish Police Jury, as of and for the years ended December 31, 2008, and 2007, and have issued my report thereon dated June 9, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Madison Parish Hospital Service District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Madison Parish Hospital Service District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Madison Parish Hospital Service District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Madison Parish Hospital Service District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Madison Parish Hospital Service District's financial statements that is more than inconsequential will not be prevented or detected by the Madison Parish Hospital Service District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Madison Parish Hospital Service District's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Board of Commissioners
Madison Parish Hospital Service District
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison Parish Hospital Service District, Tallulah, Louisiana's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of the Madison Parish Hospital Service District, Tallulah, Louisiana and the Louisiana Legislative Auditor's office and is not intended to be and should not be used by anyone other than these specified parties.

Tallulah, Louisiana
June 9, 2009

A handwritten signature in black ink, appearing to read "David R. Landon". The signature is written in a cursive, flowing style.